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Chinese Reds Squeeze The Banks

ALL throughout last week, there appeared in the Communist press published on the China mainland notices inviting the people who had "pre-liberation" accounts with banks to register with the competent authorities for their credit balances to be repaid them. All the foreign banks carrying on business in Shanghai and Canton inserted the same notices as their Chinese counterparts did.

Although details concerning how repayment was to be made were not published, Communist press reports dealing with the subject provide sufficient clues to indicate that all banks, Chinese or foreign, would be required to revalidate and repay all accounts dating from 1937 to the time the Communist conquered the mainland.

These accounts, now in Jen Min Piao, were to be reconstructed to their original value, in the currency orginally used to open them. Thus if a man had deposited five thousand Chinese yuan in 1937 and by the series of currency changes made by the Japanese, Chinese puppets and Nationalists, the account had steadily dwindled until now it is only JMP$1.00, the bank where the account is held must undertake to pay back the depositor the equivalent of five thousand Chinese yuan based on the purchasing value of the yuan in 1937.

In passing such a law, the intention of the Chinese Communist regime is definitely quixotic, for experienced bankers can see only chaos and confusion accruing from this act. The reconstruction of one account is bad enough, but to revalidate all accounts covering a period of 16 years is a mammoth task, too colossal to visualize.

The motive behind this new Communist law obviously is to popularize the Peking government with the people who had suffered the misfortune of having lost money through the series of inflations and depreciation of currency that marked the Sino-Japanese war years and immediately preceding the Communist conquest of the mainland. At some stages, inflation was so rampant that people with accounts in bank just did not bother to take their money out again, as the value of their money dwindled so rapidly.

But despite all the Communist propaganda on this new banking measure, people wise to the tactics of the Peking regime are regarding it with skepticism. Like all their other ballyhoo about helping the people, the ultimate aim of all Communist laws is to help the Communists only. The bank account revalidation and repayment law will be no different.

The immediate reaction of experienced bankers to this law is that it will have one of two results: It will either drive most banks out of business, or the law was not passed to be observed, except with foreign banks. There is an element of possibility that both are intended.

For the Communists this is one sure way of ending the operations of all private banks without occasioning public criticism. Most private banks would assuredly find themselves not able to carry on if the claims for repayment are heavy, and in the end would have to call upon the government banks for assistance, and thus place themselves at the mercy of the regime. Banking would then become the exclusive preserve of the government.

In the case of government banks such as the Central Bank, the Bank of China, the Farmers Bank and the Bank of Communications, repayment presents little difficulty at all, for after revalidation, accounts would be paid off in Jen Min Piao, which the Peking regime can quite easily turn out by working their printing presses overtime. For several years they have been doing this to tide over their difficulties; they can now do it once more.

The likelihood also exists that few people would be able to produce documentary evidence of having had accounts with banks, if they in fact had had them. Disruption caused by war will have destroyed many records kept by individuals and the banks and proof would be difficult to obtain. On top of this inconclusive state of affairs, many people who had had accounts with banks would probably also hesitate to ask for repayment, in view of the fact that questions might be asked as to how the money was made. Unpleasantness and botheration are expected to accompany repayments of such monies.

But the people who are by far the most troubled by this new Peking law are the foreign bankers in China. Apart from the fact that they will have to put themselves through a great deal of trouble reconstructing accounts, large sums of money will also have to be paid out. Most of the foreign banks do not possess such kind of money at present and no doubt will have to call on their principals abroad to furnish it.

Certain foreign banks here with connections in China regard the new law as another big squeeze to "shake down" their representatives in China. Despite the fact that all American banks in China have been closed down for a long time, they are, nevertheless, not exempted. All five American banks in Shanghai have had to published the same notice as other foreign banks, inviting former depositors to register for repayment. The squeeze is being applied on the agents they had left behind in Shanghai to liquidate their business. Other foreign banks that are being extorted include two British, two French, one Belgian and one Dutch bank.

No estimate has been made of the amount of money that foreign banks will have to pay out to meet these accounts, as reconstruction of the accounts will take many months. Bankers here, however, are convinced that the foreign banks in Shanghai will find themselves in a mess for the next few months to come, as many difficulties will be put in their way. The principals of these foreign banks are still studying the effects of the new law and would not disclose what rates of repayment have been stipulated.

The new banking law gives every indication that the Communists has again caught the foreigners in a vice-like grip. This time their victims are the bankers and there is no knowing when they will be assuaged. The Communists are aware that they have got themselves some wealthy victims whose resources are extensive and can endure sustained squeezing. It is likely that they will continue with this method of extortion for a long while and to extract as much as they can from the foreign banks.

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